

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	CASE NO. 21-30725 (DRJ)
BRAZOS ELECTRIC POWER	§	
COOPERATIVE, INC.,	§	Chapter 11
	§	
Debtor. ¹	§	

**DECLARATION OF DONALD R. CLARY, JR.,
PRESIDENT AND CHIEF EXECUTIVE OFFICER
OF DENTON COUNTY ELECTRIC COOPERATIVE, INC.,
D/B/A COSERV ELECTRIC, IN CONNECTION WITH (I) APPROVAL
OF THE DISCLOSURE STATEMENT ON A FINAL BASIS,
AND (II) CONFIRMATION OF THE AMENDED CHAPTER 11 PLAN OF
REORGANIZATION OF BRAZOS ELECTRIC POWER COOPERATIVE, INC.**

I, Donald R. Clary, Jr., pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge, information, and belief:

Background and Qualifications

1. I am the President and Chief Executive Officer of Denton County Electric Cooperative, Inc., d/b/a CoServ Electric (“CoServ Electric”) and have served in this role since August 22, 2014. CoServ is the largest of the sixteen (16) member cooperatives of Brazos Electric Power Cooperative, Inc. (“Brazos” or the “Debtor”).

2. I submit this declaration (the “Declaration”) in connection with the Debtor’s request for final approval of the *Disclosure Statement for Chapter 11 Plan of Reorganization of Brazos Electric Power Cooperative, Inc.*, dated October 27, 2022 [Dkt. No. 2440-1] (as amended, modified, or supplemented from time to time, the “Disclosure Statement”), and confirmation of

¹ The Debtor in this chapter 11 case, along with the last four digits of its federal tax identification number is: Brazos Electric Power Cooperative, Inc. (4729). Additional information regarding this case may be obtained on the website of the Debtor’s claims and noticing agent at <http://cases.stretto.com/Brazos>. The Debtor’s address is 7616 Bagby Avenue, Waco, Texas 76712.

the *Amended Chapter 11 Plan of Reorganization of Brazos Electric Power Cooperative, Inc.*, dated October 27, 2022 [Dkt. No. 2440-1] (as may be amended, modified, or supplemented in accordance with the terms thereof, the “Plan”), both of which are currently set for hearing on November 14, 2022, at 9:30 a.m. (CT).²

3. Except as otherwise indicated, the facts set forth in this Declaration are either based on my personal knowledge or from information obtained from other members of CoServ Electric’s management team, CoServ Electric’s advisors, or my review of relevant documents and information. I have relied in part on information and materials that CoServ Electric’s personnel and advisors have gathered, prepared, verified, and provided to me, in each case under my ultimate supervision, at my direction, or for my benefit in preparing this Declaration.

4. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration. I am duly authorized to submit this Declaration.

I. CoServ Electric’s Securitization

A. Notice to CoServ Electric’s Members

5. In order to pay its TAA Balance, CoServ Electric has undertaken a securitization transaction (the “CoServ Securitization”), and on August 19, 2021, retained Goldman Sachs & Co. LLC to serve as the investment banker and underwriter with respect to the CoServ Securitization.

6. On August 29, 2022, CoServ Electric launched a detailed page on CoServ Electric’s website dedicated to the CoServ Securitization (the “CoServ Electric Securitization Webpage”),³ for purposes of providing an informational resource for CoServ Electric’s members with respect

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan or the Disclosure Statement, as applicable.

³ The CoServ Electric Securitization Webpage can be viewed at <https://support.coserv.com/hc/en-us/articles/8249746126743-Brazos-Bankruptcy>.

to Brazos' above-captioned Chapter 11 bankruptcy proceeding (the "Chapter 11 Case") and the CoServ Securitization.

7. On September 14, 2022, CoServ Electric's Board of Directors (the "CoServ Electric Board") adopted and approved the *Financing Order of Denton County Electric Cooperative, Inc., Doing Business As CoServ Electric* (the "Financing Order") in connection with the CoServ Securitization.⁴

8. Immediately following the CoServ Electric Board's adoption and approval of the Financing Order, CoServ Electric updated the CoServ Electric Securitization Webpage to include links to the approved Financing Order as well as a notice from CoServ Electric to its members (the "Member Notice").⁵ The Member Notice included a link to the CoServ Electric Securitization Webpage as well as instructions on how to access the webpage. In addition, commencing on September 14, 2022, CoServ Electric emailed the Member Notice to each of its members for whom CoServ Electric had email addresses on file and sent the Member Notice via first class mail to those members for whom CoServ Electric did not have email addresses.

9. Further, CoServ Electric published information regarding the Chapter 11 Case and the CoServ Securitization in the September, October, and November 2022 print and online CoServ Electric editions of the *Texas Co-Op Power* magazine. More specifically, in the September issue, CoServ Electric published the following notice:

⁴ The applicable appeal period with respect to the Financing Order has now run, and no party has appealed the adopted Financing Order.

⁵ The Member Notice can be accessed at <https://coserv.canto.com/pdfviewer/viewer/viewer.html?share=share%2Calbum%2CLL10Q&column=document&id=f8of63uk8t44d43eg31ajngg7f&suffix=pdf&print=0>. The CoServ Electric Securitization Webpage also contains a list of "Frequently Asked Questions" in respect of the CoServ Securitization.

CoServ remains committed to providing the lowest price electricity possible to Members. As we've mentioned previously, the Brazos Bankruptcy filing is coming to a resolution, and with that, we will have a better idea of the impact to CoServ and our Members. Please visit [CoServ.com/Brazos](https://www.coserv.com/Brazos) for the most up-to-date information.⁶

10. In the October 2022 issue, CoServ Electric published a notice, which provided as follows:

Board Approves Securitization

As we've mentioned previously, the Brazos Bankruptcy filings have been ongoing since March 2021. In the plan of reorganization filed by Brazos, all Brazos member-cooperatives are required to pay their final Winter Storm Uri power costs. On September 14, 2022, your CoServ Board of Directors adopted a Financing Order pursuant to Senate Bill 1580, codified at Texas Utilities Code §§ 41.151-41.163. This low-cost financing ("securitization") allows CoServ to spread the extraordinary costs and expenses from Winter Storm Uri out over an extended period of time to keep your monthly bills lower. As a result, you will begin to see these charges on your monthly bill in or about January 2023. A copy of the approved Financing Order and more information may be found at [CoServ.com/Brazos](https://www.coserv.com/Brazos).⁷

11. Finally, in the November issue, CoServ Electric published another notice, which provided as follows:

⁶ Texas Co-Op Power, September 2022 CoServ Electric edition, at p. 18.

⁷ Texas Co-Op Power, October 2022 CoServ Electric edition, at p. 19.

Brazos Bankruptcy & Securitization

On September 14, 2022, your CoServ Board of Directors adopted a Financing Order pursuant to Senate Bill 1580, codified at Texas Utilities Code §§ 41.151-41.163. This low-cost financing (“securitization”) allows CoServ to spread the extraordinary costs and expenses from Winter Storm Uri out over an extended period of time to keep your monthly bills lower than they would be absent securitization.

As a result, you will begin to see these charges on your monthly bill in or about January 2023. A copy of the A copy of the approved Financing Order and more information may be found at CoServ.com/Brazos.⁸

B. Status of CoServ Securitization

12. Commencing in June 2022, CoServ Electric began meetings and discussions with Moody’s Investors Services (“Moody’s”), S&P Global Ratings (“S&P”), and Fitch Ratings (“Fitch,” and together with Moody’s and S&P, the “Rating Agencies”) related to CoServ Electric’s rating agency data package and presentation, which included information necessary to stress test the impact of the CoServ Securitization on CoServ Electric’s ratepayers. Since that time, CoServ Electric has also presented to the Rating Agencies drafts of its offering memorandum setting forth certain risk factors and mechanics associated with the CoServ Securitization and the other transaction documents required for the Securitization Transaction.

13. As of November 7, 2022, CoServ Electric had received AAA ratings indications from each of the Rating Agencies, subject to CoServ Electric’s delivery of final, execution copies of the transaction documents. CoServ Electric expects that it will have its final AAA rating from each of the Rating Agencies prior to pricing the bonds.

14. CoServ Electric and its legal team have worked with Brazos, the other securitizing Members and their legal teams to provide the necessary certainty that the CoServ Securitization

⁸ Texas Co-Op Power, November 2022 CoServ Electric edition, at p. 19.

will be ready to close and fund contemporaneously with the other Member securitizations, as soon as possible following entry of the Confirmation Order.

15. CoServ Electric expects to be in a position to, and will be prepared to, consummate the CoServ Securitization pursuant to the following approximated timeline:

- CoServ Electric anticipates commencing its pre-marketing process promptly following the Court's entry of the Confirmation Order.
- Upon the expiration of the 14-day appeal period for the Confirmation Order, and assuming there is no stay of the Confirmation Order, CoServ Electric will commence the process of pricing its bonds.
- CoServ Electric expects to close the CoServ Securitization within 3-7 days after pricing, with the closing anticipated to be on or about December 16, 2022, subject to the timing of the closings of the other Member securitizations.

16. Based upon my personal experiences, discussions with other members of the CoServ Electric management team and CoServ Electric's advisors, and the limited number of steps remaining prior to launching the CoServ Securitization into the market, I have every reason to expect that the CoServ Securitization will close and that CoServ will be in a position to pay its TAA Balance pursuant to the terms of the Plan following entry of the Confirmation Order and on the approximated timeline set forth herein.

Dated: November 10, 2022
Corinth, Texas

/s/ Donald R. Clary, Jr.

Donald R. Clary, Jr.
President and Chief Executive Officer
Denton County Electric Cooperative, Inc., d/b/a
CoServ Electric

CERTIFICATE OF SERVICE

I certify that on November 10, 2022, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Charles R. Gibbs

Charles R. Gibbs